William Buck

Vertua Limited

Independent Expert's Report and Financial Services Guide

16 July 2015

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The Directors
Vertua Limited
Level 5, 97 Pacific Highway
NORTH SYDNEY NSW 2060

Dear Sirs,

Vertua Limited

Independent Expert's Report

Introduction

The Directors of Vertua Limited ("**Directors**" and "**Vertua**" or the "**Company**" respectively) have engaged William Buck Corporate Advisory Services (NSW) Pty Limited ("**William Buck**" or "**we**" or "**us**" or "**our**" as appropriate) to prepare an Independent Expert's Report ("**Report**") in relation to Vertua's acquisition of all shares on issue in Horizon Print Management Pty Limited ("**HPM**") for a maximum of $1.5 million less $575,000 owed to Carrington Forsyth Investments Pty Limited ("**CFI**") (the "**Acquisition**"), for which loan funding will be provided by Manning Group Pty Limited ("**Manning Group**") (together, the "**Proposed Transaction**").

Manning Group has the option to convert this loan ("**Secured Acquisition Loan**") to Vertua into fully paid A Class Vertua shares at $0.1485 per share to a maximum of 9,700,000 new shares. If Manning Group elects to convert its loan, the interests of Manning Group and associated parties ("**Manning Group Shareholders**") in Vertua could increase from 19.1% prior to the Proposed Transaction to 59.2%.

Mr James Manning is a director of Vertua, CFI and HPM and is also a member of the class of discretionary objects of the Manning Group Trust, of which Manning Group is the corporate trustee.

Further details of the Proposed Transaction are set out in Section 1 of our Report.

Purpose of Report

Corporations Act

The Proposed Transaction is subject to Sections 208 and 606 of the Corporations Act 2001 ("**Act**").

CHARTERED ACCOUNTANTS
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Section 208 of Chapter 2E of the Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in Section 210 of the Act.

Unless allowed by other provisions, Section 606 of the Act does not allow a person to acquire a relevant interest in shares such that they would control 20% or more of the voting shares in a company or increase voting power in the company from a starting point above 20% and below 90%.

Section 611 of the Act ("**Section 611**") provides an exemption to Section 606 if the proposed transaction is approved by a resolution of the shareholders at a general meeting called for that purpose.

Whilst Sections 208 and 611 do not explicitly state that an expert's opinion is required in relation to the Proposed Transaction, regulatory guidance issued by the Australian Securities and Investments Commission ("ASIC") states that it is the Directors' obligation to provide shareholders with full and proper disclosure to enable them to assess the merits of a proposed transaction for the purpose of assisting them to decide whether to approve any resolutions relating to the transaction. This obligation may be satisfied by commissioning an independent expert's report on whether the proposed transaction is "fair and reasonable" to non-associated shareholders. The Non-Associated Shareholders are those shareholders in Vertua whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction ("**Non-Associated Shareholders**").

This Report is to accompany the Notice of Annual General Meeting and Explanatory Statement ("**Explanatory Statement**") being provided to the shareholders of Vertua ("**Shareholders**") and has been prepared to assist the Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure so as to enable them to assess the merits of the Proposed Transaction and to assist them in their consideration of whether or not to approve resolutions relating to the Proposed Transaction.

The purpose of our Report is to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Vertua.

Our Report has been prepared solely for use of the Directors of Vertua, and for the purpose set out herein. William Buck does not accept any responsibility for the use of our Report outside this purpose. Except in accordance with the stated purpose, no extract, quote, or copy of our Report, in whole or in part, should be reproduced without the written consent of William Buck, as to the form and context in which it may appear.

Scope of Report

Our procedures in preparing this Report have been limited to those procedures we believe are required in order to form our opinion. Our procedures included an analysis of financial information and accounting records, however, the procedures did not include verification work nor did they constitute:

— an audit in accordance with Australian Accounting Standards ("**AUS**");

— an assurance engagement in accordance with Australian Standards on Assurance Engagements ("**ASAE**"); or

— a review in accordance with Australian Standard on Review Engagements ("**ASRE**").

The assessment of whether or not the Proposed Transaction is fair and reasonable will necessarily involve us determining the "fair market value" of various securities, assets and interests. For the purposes of our opinion, the term "fair market value" is generally defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

We have not considered special value in forming our opinion. Special value is the amount which a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

We have treated any valuations undertaken in connection with our assessment of the Proposed Acquisition as "full scope valuations" under Accounting Professional and Ethical Standard ("**APES**") 225 – Valuation Services.

By their very nature, any valuation assessment is necessarily the subject of uncertainty and volatility and the conclusions arrived at will include considerations that are dependent on the exercise of individual judgement. Accordingly, there is unlikely to be an "indisputable value", and we have expressed our opinion regarding values as falling within a likely range.

Qualifications and Independence

Mr Daniel Coote of William Buck was responsible for the preparation of this Report. Details of his experience and qualifications are set out in Section 8.2 of this Report. William Buck has the appropriate experience and professional qualifications to provide the advice offered.

Opinion

We have considered the terms of the Proposed Transaction and conclude that the Proposed Transaction is both **fair** and **reasonable** to the Non-Associated Shareholders of Vertua.

Basis of the Evaluation of the Proposed Acquisition

In our opinion, the Proposed Transaction will be fair and reasonable if:

- the value of a share in Vertua prior to the Proposed Transaction on a control basis is not greater than the exercise price for a share per the Share Option Deed;
- consideration paid by Vertua for HPM sits within our fair market valuation range for HPM;
- the value of a share in Vertua prior to the Proposed Transaction on a control basis is not greater than the value of a share in Vertua subsequent to the Proposed Transaction on a minority basis;
- on balance, the advantages to the Non-Associated Shareholders of approving the Proposed Transaction outweigh the disadvantages; and,
- on balance, the disadvantages to the Non-Associated Shareholders of not approving the Proposed Transaction outweigh the advantages.

Assessment of Fairness of the Proposed Transaction

1. Share Option Deed

As discussed in Section 2.3, in determining whether the Proposed Transaction is fair to Non-Associated Shareholders of Vertua, we have compared the fair value of a share in Vertua on a control basis prior to the Proposed Transaction with the exercise price set out in the Share Option Deed.

Table 1 – Comparison of Vertua share value prior to the Proposed Transaction with Share Option Deed

	Ref	28 February 2015
Vertua share on a controlling interest basis	6.4	$ 0.1087
Share Option Deed conversion price	1.1	$ 0.1485

Source: William Buck analysis

As shown above, our assessed fair value of a Vertua share on a controlling interest basis prior to the Proposed Transaction of $0.1087 is not greater than the Share Option Deed exercise price of $0.1485, meaning that Manning Group will not be able to convert the Secured Acquisition Loan at a share price lower than our assessed fair market value of Vertua prior to the Proposed Transaction.

2. HPM Consideration

We have assessed the equity value of HPM to fall within the range $406,000 to $806,000 on a controlling interest basis (refer Section 7.5).

As set out below, Vertua will ultimately pay between $525,000 and $925,000 for 100% of the shares on issue in HPM, depending on the contingency payable under the Share Sale Agreement.

Table 2 – HPM consideration payable by Vertua

$000	Ref	Low	Per 31 March 2015 accounts	High
Initial consideration	1.1	1,100	1,100	1,100
Contingency amount	1.1	-	55	400
Less: HPM indebtedness to CFI	1.1	(575)	(575)	(575)
Consideration for 100% of issued shares in HPM		**525**	**580**	**925**

Source: William Buck analysis

We note that if the contingency amount under the Share Sale Agreement reaches the maximum $400,000, the consideration payable by Vertua for HPM will exceed our assessed fair market value range for HPM. However, per Vertua's 31 March 2015 audited accounts, Vertua's estimate of the contingency amount is $55,000 and based on HPM's current financial performance (which is discussed at Section 4.2) it does not appear likely that Vertua will be required to pay the full contingency amount of $400,000.

3. Vertua shares pre and post the Proposed Transaction

Table 3 below sets out our calculation of the fair value of Vertua shares subsequent to completion of the Proposed Transaction on a minority basis (incorporating the financial effects of the Proposed Transaction and expected dilution of the Non-Associated Shareholders resulting from the potential conversion of the Secured Acquisition Loan) using the NTA method (see Section 5.2 for further details). In making this assessment, we have considered two scenarios:

Scenario 1 assumes the following:

- HPM is acquired for $1.1 million, being the basis for the initial consideration per the Share Sale Agreement, plus $55,000, being Management's estimate of the contingency amount payable per the Share Sale Agreement and recorded as deferred settlement in Vertua's audited 31 March 2015 accounts; and
- Manning Group elects to convert a total Secured Acquisition Loan of $1,155,000 to 7,777,778 new fully paid A Class shares in Vertua at the conversion price set out in the Share Option Deed of $0.1485.

Scenario 2 assumes the following:

- HPM is acquired for the maximum amount allowable under the Share Sale Agreement being $1.5 million. Consideration in addition to that already accounted for in Vertua 31 March 2015 of $345,000 (being $1.5 million less $1,155,000 included in the 31 March 2015 accounts) would require adjustments to Vertua's intangibles and borrowings (from Manning Group) balances; and
- Manning Group elects to convert a total Secured Acquisition Loan of $1,500,000 at the conversion price set out in the Share Option Deed of $0.1485, resulting in the maximum Option Shares allowable under the Share Option Deed of 9,700,000 new fully paid A Class shares in Vertua.

Please refer to Section 1.3 for calculation of the number of shares on issue used in the two scenarios described above.

The calculation of the value of Vertua shares on a minority basis subsequent to the Proposed Transaction includes a minority discount of 4.8%. We have calculated the minority discount applicable to Vertua shares by reference to our expectation of the control premium relevant to valuing shares in Vertua using the following formula:

Minority discount = [1 – (1/(1 + Control Premium))]

For the purposes of this calculation, we have assumed a control premium applicable to Vertua of 5.0%. Our research indicates that, other than in exceptional circumstances (e.g. a competitive bid for a company), control premiums for Australian listed entities tend to range from 0.0% to 20.0%. Given that Vertua's assets prior to the Proposed Transaction were primarily cash or accounts receivable, inventory or WIP soon to be converted to cash, we have assumed an applicable control premium at the lower end of this range.

Table 3 – Calculation of Vertua value per share on a minority basis subsequent to the Proposed Transaction

$000	31 March 2015	Conversion of Secured Acquisition Loan	Pro-forma 31 March 2015 (Scenario 1)	Pro-forma adjustment assuming Acquisition Consideration of $1,500,000		Pro-forma 31 March 2015 (Scenario 2)
				Additional consideration	Conversion of Secured Acquisition Loan	
Cash and cash equivalents	352	-	352	-	-	352
Accounts receiveable	3,570	-	3,570	-	-	3,570
Inventory and w ork in progress	3,075	-	3,075	-	-	3,075
Other debtors	142	-	142	-	-	142
Total current assets	**7,139**	**-**	**7,139**	**-**	**-**	**7,139**
Property, plant and equipment	16	-	16	-	-	16
Deferred tax asset	197	-	197	-	-	197
Intangible assets	1,004	-	1,004	345	-	1,349
Total non-current assets	**1,217**	**-**	**1,217**	**345**	**-**	**1,562**
Trade and other payables	2,252	-	2,252	-	-	2,252
Borrow ings	1,182	-	1,182	-	-	1,182
Related party loans	802	-	802	-	-	802
Employee benefits provisions	36	-	36	-	-	36
Deferred settlement liability	55	(55)	-	-	-	-
Deferred income	2,100	-	2,100	-	-	2,100
Total current liabilities	**6,427**	**(55)**	**6,372**	**-**	**-**	**6,372**
Borrow ings	1,105	(1,105)	-	345	(345)	-
Total non-current liabilities	**1,105**	**(1,105)**	**-**	**345**	**(345)**	**-**
Net assets	**824**	**1,160**	**1,984**	**-**	**345**	**2,329**
Contributed equity	4,704	1,160	5,864	-	345	6,209
Accumulated losses	(3,880)	-	(3,880)	-	-	(3,880)
Total equity	**824**	**1,160**	**1,984**	**-**	**345**	**2,329**
Shares on issue			17,651,053			19,573,275
Value per Share (controlling interest)			$ 0.112			$ 0.119
Minority discount			(4.8%)			(4.8%)
Value per Share (minority interest)			**$ 0.107**			**$ 0.113**

Source: William Buck analysis

Depending on the ultimate level of Secured Acquisition Loan required to fund the acquisition of HPM, the table above shows the value of a Vertua share on a minority interest basis subsequent to the Proposed Transaction (incorporating the financial effects of the Proposed Transaction and conversion of the Secured Acquisition Loan) to be in the range of $0.107 to $0.113 per share. This compares to the fair value of Vertua shares on a controlling interest basis prior to the Proposed Transaction of $0.109.

We note that under Scenario 1, Non Associated Shareholders will be marginally worse off as a result of the Proposed Transaction ($0.109 per share prior to the Proposed Transaction on a controlling interest basis versus $0.107 per share subsequent to the Proposed Transaction on a minority interest basis). However, given that the final consideration for HPM is yet to be determined, we do not consider the extent of the difference between the Vertua share value prior to and subsequent to the Proposed Transaction under Scenario 1 to be significant.

Fairness Conclusion

As discussed above:

— our assessed fair value per Vertua share prior to the Proposed Transaction of $0.109 is not greater than the Share Option Deed exercise price of $0.1485 per share;

— consideration paid by Vertua for HPM sits within our fair market valuation range for HPM; and

— depending on the ultimate level of Secured Acquisition Loan required to fund the acquisition of HPM, we have assessed the value of a Vertua share on a minority interest basis subsequent to the Proposed Transaction to be in the range of $0.107 to $0.113 per share, compared with our assessment of the value of a Vertua share on a controlling interest basis prior to the Proposed Transaction of $0.109.

Consequently, on balance, in our opinion the Proposed Transaction is considered fair from the perspective of the Non-Associated Shareholders of Vertua.

Assessment of Reasonableness of the Proposed Transaction

We have considered the following factors in determining whether or not the Proposed Transaction is reasonable to the Non-Associated Shareholders of Vertua.

Advantages of approving the Proposed Acquisition

The following may be considered advantages of approving the Proposed Transaction:

— **The Proposed Transaction is fair:** We have assessed the Proposed Transaction to be “fair”;

— **Opportunity to deliver more stable profitability and operating cash flows:** HPM has been profitable over the last three years and its business model should provide more regular operating cash flows to offset the irregular property development cash flows experienced by Vertua historically;

— **Vertua has considered alternative acquisition funding options:** As set out in Section 3.7 of the Explanatory Statement, Vertua has investigated alternative funding options for the Acquisition including the use of invoice discounting facilities and potentially undertaking a capital raising. However, Vertua has concluded that it would be costly and potentially detrimental to the business given the administrative burden of reporting to an external third party financier. Vertua has also concluded that the timing for a capital raising is not optimal.

Disadvantages of approving the Proposed Acquisition

The following may be considered disadvantages of approving the Proposed Transaction:

— **Existing shareholders' interest in the Company will be diluted:** By approving the Proposed Transaction and if Manning Group converts the maximum amount of the Secured Acquisition Loan to fully paid A Class Vertua shares, the interests of the Non-Associated Shareholders will be diluted from 80.9% to 40.8%;

— **Increased interest of majority shareholder:** On the assumption of the maximum shares to be issued pursuant to the Proposed Transaction, the interests in Vertua of the Manning Group Shareholders will increase from 19.1% to 59.2%. The presence of such significant shareholding generally both reduces the liquidity of a Company's share trading and reduces the likelihood that the Company will be the target of any potential takeover activity.

Advantages and disadvantages of not implementing the Proposed Transaction

In our view, the significant advantages or disadvantages of rejecting the Proposed Transaction primarily relate to the reverse of the matters noted above

In our opinion, based on a consideration of the above, the Proposed Transaction is considered reasonable from the perspective of the Non-Associated Shareholders of Vertua as:

— on balance, the advantages of approving the Proposed Transaction outweigh the disadvantages of approving it to the Non-Associated Shareholders; and

— on balance, the disadvantages of rejecting the Proposed Transaction outweigh the advantages of rejecting it to the Non-Associated Shareholders.

General Advice and Other

General advice

In forming our opinion, we have considered the interests of the Non-Associated Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of the individual Non-Associated Shareholders. It is neither practical nor possible to assess the implication of the Proposed Transaction on individual Non-Associated Shareholders as their individual financial circumstances are not known.

Some Non-Associated Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in our Report. Accordingly, individual Non-Associated Shareholders may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable to them and each individual shareholder must take into account his or her own circumstances when deciding whether or not to vote in favour or against the resolutions relating to the Proposed Transaction. Shareholders should seek their own independent professional advice to assist them in their decision, taking into account their preferences and expectations.

As an individual non-associated shareholder's decision to vote in favour of the Proposed Transaction may be influenced by his or her particular circumstances, we recommend that individual Non-Associated Shareholders consult their financial advisors.

Other

William Buck is an Authorised Representative under an appropriate Australian Financial Services Licence. Accordingly, we are required to provide a Financial Services Guide in situations where we may be taken as providing financial product advice. A copy of William Buck's Financial Services Guide is set out in the annexure hereto.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this Report including the appendices.

Yours faithfully,

William Buck

William Buck Corporate Advisory Services (NSW) Pty Limited
ABN 50 133 845 637
Authorised Representative No. 333393
AFSL 240769

Financial Services Guide

Dated: 16 July 2015

William Buck Corporate Advisory Services (NSW) Pty Ltd ABN 50 133 845 637 ("**William Buck**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of general financial product advice and to ensure that we comply with our obligations as an authorised representative of a financial services licensee.

The FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide as an Authorised Representative of William Buck Wealth Advisors (NSW) Pty Ltd (Licence No: 240769);
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial Services we are Licensed to Provide

We are an authorised representative of William Buck Wealth Advisors (NSW) Pty Ltd who holds an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - basic deposit products;
  - deposit products other than basic deposit products;
- derivatives limited to old law securities options contracts and warrants;
- debentures, stocks or bonds issued or proposed to be issued by a government;
- life products including:
  - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
  - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;
- interests in managed investment schemes including investor directed portfolio services;
- retirement savings accounts products (within the meaning of the Retirement Savings Account Act 1997);
- securities; and
- superannuation.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an authorised representative of a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may Receive

We are entitled to receive a fee of $14,000, excluding GST, for preparation of this Report. These fees were agreed with, and paid by, the person who engaged us to provide the Report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither William Buck, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other Benefits Received by our Employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are authorised to provide.

Associations and Relationships

From time to time William Buck may provide professional services including wealth advisory services to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal Complaints Resolution Process

As an authorised representative of a holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Compliance Manager, William Buck, Level 29, 66 Goulburn Street, Sydney NSW 2000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service. The Financial Ombudsman Service is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry.

Further details about the Financial Ombudsman Service are available at the website www.fos.org.au or by contacting them directly at: the Financial Ombudsman Service, GPO Box 3, Melbourne VIC 3001, or by telephone on 1300 780 808.

Professional Indemnity Insurance

William Buck has professional indemnity insurance in place which covers any work done by us, as an authorised representative of William Buck Wealth Advisors (NSW) Pty Ltd and by representatives/employees after they cease to work for us. The compensation arrangements we have in place comply with sec.912B of the Corporations Act.

Contact Details

You may contact us at William Buck, Level 29, 66 Goulburn Street, Sydney, NSW 2000 or by telephone on (02) 8263 4000

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1. The Proposed Transaction

1.1 Overview of Proposed Transaction

On 27 February 2015, Vertua entered into a share sale agreement (the "**Share Sale Agreement**") with CFI to conditionally acquire all of the shares on issue in HPM.

Consideration for the Acquisition is comprised as follows:
- $1.1 million less HPM's indebtedness to CFI, which on the date of the Share Sale Agreement was $575,000, to be paid on the date of completion of the acquisition; and
- A contingency amount of up to $400,000, determined as 3.5 times HPM's EBIT for FY15.

The Acquisition, including any contingency amount, will be fully financed by Manning Group. On 17 March 2015, Vertua and Manning Group entered into a secured loan agreement ("**Secured Loan Agreement**") and a related share option deed ("**Share Option Deed**") in relation the financing of the Acquisition.

Mr James Manning is a director of Vertua, CFI and HPM and is also a member of the class of discretionary objects of the Manning Group Trust, of which Manning Group is the corporate trustee.

Key terms of the Secured Loan Agreement are as follows:
- Manning Group to provide secured loan advances to Vertua not exceeding in aggregate $1.5 million, for the purpose of the acquisition of HPM, associated acquisition costs and working capital requirements;
- Loan funds incur interest at 12% per annum, paid or accrued monthly;
- Loan term is five years post commencement of the loan agreement; and
- Grant of options under the Share Option Deed.

Key terms of the Share Option Deed are as follows:
- Grants to Manning Group an option to convert loan monies pursuant to the Secured Loan Agreement to fully paid A Class shares in Vertua ("**Option Share(s)**");
- Loan monies are convertible at $0.1485 per Options Share; and
- Total Option Shares to be issued will be greater of 9,700,000 or the total loan balance per the Secured Loan Agreement divided by $0.1485.

1.2 Vertua Capital Structure Prior to Completion of the Acquisition

Prior to completion of the Acquisition, Vertua had on issue:
- 9,873,275 fully paid A Class shares; and
- 350,000 options over fully paid A Class shares which are convertible at $0.12 per share.

The 350,000 options are held by Joe Public Holdings Pty Ltd. The options are currently out of the money with an exercise of $0.12 compared with Vertua's share price as at the date of this Report of $0.05. Management's view is that these options are currently unlikely to be converted into fully paid shares in Vertua and consequently, we have excluded the options from our analysis of the effects of the Proposed Transaction below.

1.3 Potential Vertua Capital Structure

The following table sets out Vertua's current and potential issued share capital assuming completion of the Proposed Transaction, loan funding under the Secured Loan Agreement up to the maximum facility limit of $1.5 million and conversion of that loan balance to fully paid Vertua A class shares.

Table 4 – Current and Potential Issued Vertua Shares

Shareholder	Fully paid A Class shares pre conversion of Secured Loan Agreement debt		Conversion of $1.5m Secured Acquisition Loan	Fully paid A Class shares post conversion of Secured Loan Agreement debt	
	# shares	% interest	# shares	# shares	% interest
Manning Custodian Pty Ltd	1,525,616	15.5%	-	1,525,616	7.8%
Woodville Super Pty Limited	329,276	3.3%	-	329,276	1.7%
ACN 147 049 938 Pty Ltd	31,637	0.3%	-	31,637	0.2%
Manning Group Pty Ltd	-	-	9,700,000	9,700,000	49.6%
Manning Group Shareholders	**1,886,529**	**19.1%**	**9,700,000**	**11,586,529**	**59.2%**
Joe Public Holdings Pty Ltd	1,852,152	18.8%	-	1,852,152	9.5%
Lily Bordeaux Pty Ltd	620,451	6.3%	-	620,451	3.2%
Calvert Investments Pty Ltd	150,000	1.5%	-	150,000	0.8%
Benjamin Doyle & Marie Ashley	125,000	1.3%	-	125,000	0.6%
Ian Crawford & Philippa Maxwell	125,000	1.3%	-	125,000	0.6%
Hammond & Simonds Pty Ltd	110,513	1.1%	-	110,513	0.6%
William Lyon	100,000	1.0%	-	100,000	0.5%
Peter & Pauline Schaap	90,000	0.9%	-	90,000	0.5%
Other shareholders	4,813,630	48.8%	-	4,813,630	24.6%
Total	**9,873,275**	**100.0%**	**9,700,000**	**19,573,275**	**100.0%**

Source: Vertua share register as at 30 June 2015 and William Buck analysis

As set out above, Manning Group Shareholders controlled approximately 19.1% of the issued share capital of Vertua prior to completion of the Proposed Transaction.

For the purposes of the calculations set out above, we have assumed that the full $1.5 million facility limit from Manning Group is required in relation to the Acquisition. However, Vertua's audited 30 June 2015 accounts show a deferred settlement liability of $55,000 in relation to the Acquisition which is Vertua management's estimation of the contingency amount payable.

Based on our calculations, conversion of a Secured Acquisition Loan of $1.5 million would result in the proportion of issued share capital of Vertua that is controlled by Manning Group Shareholders increasing from 19.1% to 59.2%.

Table 3 sets out the potential change in the percentage of Vertua controlled by Manning Group Shareholders should the contingency amount be in line with Management's expectations and a total Secured Acquisition Loan required by Vertua of $1,155,000.

Table 5 – Current and Potential Issued Vertua Shares

Shareholder	Fully paid A Class shares pre conversion of Secured Loan Agreement debt		Conversion of $1,155,000 Secured Acquisition Loan	Fully paid A Class shares post conversion of Secured Loan Agreement debt	
	# shares	% interest	# shares	# shares	% interest
Manning Custodian Pty Ltd	1,525,616	15.5%	-	1,525,616	8.6%
Woodville Super Pty Limited	329,276	3.3%	-	329,276	1.9%
ACN 147 049 938 Pty Ltd	31,637	0.3%	-	31,637	0.2%
Manning Group Pty Ltd	-	-	7,777,778	7,777,778	44.1%
Manning Group Shareholders	**1,886,529**	**19.1%**	**7,777,778**	**9,664,307**	**54.8%**
Joe Public Holdings Pty Ltd	1,852,152	18.8%	-	1,852,152	10.5%
Lily Bordeaux Pty Ltd	620,451	6.3%	-	620,451	3.5%
Calvert Investments Pty Ltd	150,000	1.5%	-	150,000	0.8%
Benjamin Doyle & Marie Ashley	125,000	1.3%	-	125,000	0.7%
Ian Crawford & Philippa Maxwell	125,000	1.3%	-	125,000	0.7%
Hammond & Simonds Pty Ltd	110,513	1.1%	-	110,513	0.6%
William Lyon	100,000	1.0%	-	100,000	0.6%
Peter & Pauline Schaap	90,000	0.9%	-	90,000	0.5%
Other shareholders	4,813,630	48.8%	-	4,813,630	27.3%
Total	**9,873,275**	**100.0%**	**7,777,778**	**17,651,053**	**100.0%**

Source: Vertua share register as at 30 June 2015 and William Buck analysis

Based on our calculations, conversion of a Secured Acquisition Loan of $1,155,000 would result in the proportion of issued share capital of Vertua that is controlled by Manning Group Shareholders increasing from 19.1% to 54.8%.

2. Scope and Limitations

2.1 Regulatory Background

Corporations Act 2001

Section 208 of Chapter 2E of the Corporations Act 2001 requires a company to seek shareholder approval before giving a financial benefit to a related parted unless the benefit falls within an exception provided for in Section 210 of the Act.

Regulatory Guide 76: Related party Transactions ("RG 76") states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Act, where:

- the financial benefit is difficult to value;
- the transaction is significant from the point of view of the entity; or
- the independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

We note that the Proposed Transaction may result in financial benefits provided to Manning Group and that Mr James Manning is both Managing Director and CEO of Vertua and a member of the class of discretionary objects of the Manning Group Trust, of which Manning Group is the corporate trustee.

Section 606 of the Act does not allow a person to acquire a relevant interest in the issued voting shares of a listed company if, by entering into the transaction, their (or someone else's) voting power in the company increases:

- From 20% or below to more than 20%; or
- From a starting point above 20% and below 90%.

Section 611 of the Act provides an exemption to Section 606 if the relevant transaction is approved by a resolution of the shareholders at a general meeting called for that purpose. Section 611 requires shareholders to be given all relevant information known to the person making the acquisition, their associates or the company, which is material to the proposal.

We note that conversion of the Secured Acquisition Loan may result in interests in Vertua controlled Manning Group Shareholders increasing from 19.1% to a maximum of 59.2%.

Whilst Sections 208 and 611 do not explicitly state that an expert's opinion is required in relation to the Proposed Transaction, regulatory guidance issued by the Australian Securities and Investments Commission ("ASIC") states that it is the Directors' obligation to provide shareholders with full and proper disclosure to enable them to assess the merits of a proposed transaction for the purpose of assisting them to decide whether to approve any resolutions relating to the transaction. This obligation may be satisfied by commissioning an independent expert's report on whether the proposed transaction is "fair and reasonable" to non-associated shareholders.

2.2 Purpose and Scope

Purpose

William Buck has been appointed by the Directors of Vertua to prepare an independent expert's report expressing our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of Vertua.

This Report is to accompany the Explanatory Statement being provided to the shareholders of Vertua and has been prepared to assist the Directors in fulfilling their obligation to provide shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction and to assist them in their consideration of whether or not to approve the resolutions relating to the Proposed Transaction.

This Report should not be used for any other purpose and we do not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without the written consent of William Buck, as to the form and context in which it may appear.

Scope

Sections 208 and 611 require shareholders to be given all relevant information known to the persons entering into a transaction, their associates or the company, which is material to the Proposed Transaction.

The scope of our procedures undertaken have been limited to those procedures we believed are required in order to form our opinion. Our procedures, in the preparation of this Report, may have involved an analysis of financial information and accounting records. However, the procedures did not include verification work nor did they constitute:

- an audit in accordance with AUS;
- an assurance engagement in accordance with ASAE; or
- a review in accordance with ASRE.

The assessment of whether or not the Proposed Transaction is fair and reasonable will necessarily involve determining the "fair market value" of various securities, assets and interests. For the purposes of our opinion, the term "fair market value" will be defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

By their very nature, any valuation assessments are necessarily the subject of uncertainty and volatility and the conclusions arrived at will include considerations that are dependent on the exercise of individual judgement. Accordingly, there is unlikely to be an "indisputable value", and we have expressed our opinion as to values as falling within a likely range.

We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Some individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this Report. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable to them.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, shareholders should seek independent financial advice.

2.3 Basis of Evaluation

As there is no legal definition of the expression fair and reasonable in the Act, we have therefore considered guidance provided by ASIC in its RGs in assessing whether the Proposed Acquisition is fair and reasonable from the perspective of the Non-Associated Shareholders. Specifically, we will have regard to the provisions of the following:

- RG 74: Acquisitions approved by members;
- RG 76: Related party Transactions;
- RG 111: Content of Expert Reports; and
- RG 112: Independence of Experts.

RG 111 treats "fair" and "reasonable" as two distinct criteria. The transaction is "fair" if the value of the consideration offered is equal to or less than the value of the securities or assets acquired and which are the subject to the transaction. The transaction will be "reasonable" if it is fair, or, despite being not fair, after considering other significant factors, there are sufficient reasons for the shareholders to accept the transaction.

In our opinion, the most appropriate basis on which to evaluate the Proposed Transaction is to assess its likely overall impact on the Non-Associated Shareholders and to form a judgement as to whether the expected benefits outweigh any disadvantages that might result from approving the transaction.

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered and compared the following:

- the value of a share in Vertua prior to the Proposed Transaction on a control basis with the exercise price for a share per the Share Option Deed;
- consideration paid by Vertua for HPM with our fair market valuation range for HPM;
- the value of a share in Vertua prior to the Proposed Transaction on a control basis with the value of a share in Vertua subsequent to the Proposed Transaction on a minority basis;
- the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transaction is approved; and
- the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transaction is not approved.

Where applicable, we have considered whether or not appropriate premiums (for control or significant influence) have been reflected in our valuation calculations.

In our opinion, the Proposed Transaction is to be judged in terms of its overall effect. It is not meaningful to assess the individual elements of the Proposed Transaction separately.

2.4 Reliance on Information

This Report is based upon financial and other information provided by Vertua and HPM. We have considered and relied upon this information. We believe the information provided to be reliable, complete and not misleading, and have no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

Where we have relied on the views and judgement of management, the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation. In the context of this Report, the views not capable of direct external verification or validation related principally to matters such as the likely

2.5 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Accordingly, changes in those conditions may result in any valuation opinions becoming quickly outdated and in need of revision. We reserve the right to revise any valuation, or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

2.6 Sources of Information

Appendix A to this report sets out details of information referred to and relied upon by us during the course of preparing this Report and forming our opinion.

Vertua has agreed to indemnify William Buck, and its owner practice, their partners, directors, employees, officers and agents (as applicable) against any claim arising out of misstatements or omissions in any material supplied by the Company, its subsidiaries, directors or employees, on which we have relied.

2.7 Assumptions

In forming our opinion, the following has been assumed:

— all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;

— that matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;

— information in relation to the Proposed Transaction provided to the Vertua shareholders or any statutory authority by the parties is complete, accurate and fairly presented in all material respects;

— if the resolutions relating to the Proposed Transaction are approved, they will be implemented in accordance with its disclosed terms; and

— the legal mechanisms to implement the Proposed Transaction are correct and effective.

3. Profile of Vertua

3.1 Background and Activities

Vertua is an Australian publicly listed company trading on the National Stock Exchange of Australia (“**NSX**”).

The Company was incorporated on 20 February 2004 and admitted to the NSX on 12 February 2007.

Vertua’s principal activities are the development and sale of residential property across Australia, mainly in Sydney and South-East Queensland.

The Company’s most recent project was the acquisition of a property in Lane Cove, its subdivision, renovation and subsequent sale.

3.2 Corporate Structure

Vertua currently has one subsidiary, Vertua Investments, which is wholly owned.

3.3 Officeholders

As at the date of this report, Vertua had three directors, namely:

Mr Christopher Bregenhoj	**Chairman and Secretary**
Mr James Manning	**Managing Director**
Mr Benjamin Doyle	**Director**

3.4 Capital Structure

As discussed in Section 1.2, Vertua’s capital structure as at 30 June 2015 comprised 9,873,275 fully paid A Class shares and 350,000 options over fully paid A Class shares which are convertible at $0.12 per share.

We understand that there has been no material change in the above details to the date of this Report.

3.5 Financial Position

The audited consolidated statement of financial position of Vertua as at 30 June 2013, 30 June 2014 and 31 March 2015 is set out below.

Further information and analysis regarding significant account balances is set out in the sections that follow.

Table 6 – Vertua consolidated statement of financial position

$000	30 June 2013	30 June 2014	31 March 2015
Cash and cash equivalents	525	760	352
Accounts receiveable	3	-	3,570
Inventory and w ork in progress	574	-	3,075
Other debtors	-	-	142
Total current assets	**1,102**	**760**	**7,139**
Property, plant and equipment	-	-	16
Deferred tax asset	-	-	197
Intangible assets	-	-	1,004
Total non-current assets	**-**	**-**	**1,217**
Trade and other payables	6	9	2,252
Borrow ings	-	-	1,182
Related party loans	-	-	802
Employee benefits provisions	-	-	36
Deferred settlement liability	-	-	55
Deferred income	-	-	2,100
Total current liabilities	**6**	**9**	**6,427**
Borrow ings	200	-	1,105
Total non-current liabilities	**200**	**-**	**1,105**
Net assets	**896**	**751**	**824**
Contributed equity	4,547	4,547	4,704
Accumulated losses	(3,651)	(3,796)	(3,880)
Total equity	**896**	**751**	**824**

Source: Vertua 30 June 2014 and 31 March 2015 Annual Reports

It is important to note that Vertua's consolidated statement of financial position as at 31 March 2015 includes Horizon Print Management Pty Limited which was conditionally acquired on 1 March 2015.

3.5.1 Accounts receivable

Table 7 – Vertua receivables by entity as at 31 March 2015

$000	31 March 2015
Vertua Limited	2,109
Horizon Print Management	1,461
Total accounts receivable	**3,570**

Source: Vertua 31 March 2015 consolidation working papers

Accounts receivable in Vertua Limited as at 31 March 2015 relates to development properties sold but awaiting settlement. Deferred income at 31 March 2015 of $2.1 million also relates to these properties.

The balance of accounts receivable as at 31 March 2015 relates to the HPM business.

3.5.2 *Inventory and work in progress*

Inventory and work in progress as at 31 March 2015 represents property stock of $2.6 million and print services work in progress of $453k.

3.5.3 *Intangible assets*

Intangible assets as at 31 March 2015 represent goodwill on acquisition of HPM.

3.5.4 *Trade and other payables*

Trade and other payables as at 31 March 2015 relate primarily to the HPM business.

3.5.5 *Borrowings and related party loans*

Table 8 – Vertua borrowings and related party loans as at 31 March 2015

$000	31 March 2015
Westpac Banking Corporation	1,182
Calvert Investments	515
Total borrowings	**1,697**
Related party loans	
- Joe Public Holdings	154
- Woodville Super Pty Ltd	132
- Manning Group	1,105
Total related party loans	**1,391**
Total borrowings and related party loans	**3,088**

Source: Vertua 31 March 2015 Annual Report

Westpac borrowings relate to the residential property development activities of Vertua and will be repaid following sale of the properties.

Loans payable to Calvert Investments and Joe Public Holdings relate to funding obtained by Vertua in September 2014 for the development of a property at 446 Pacific Highway, Lane Cove NSW (the "**Lane Cove Property**").

$1.1 million payable to Manning Group as at 31 March 2015 relates to the acquisition of HPM. Terms of the Manning Group loan are summarised in Section 1.1.

3.5.6 *Carry forward tax losses*

Although not brought to account, as at 31 March 2015, Vertua's audited 31 March 2015 accounts show deferred tax assets not brought to account of $1,681,953.

3.6 Financial Performance

Details of Vertua's consolidated historical results for the years ended 30 June 2013 ("**FY13**"), 30 June 2014 ("**FY14**") and for the nine months ended 31 March 2015 ("**FY15**") are set out below: As noted above, Vertua's FY15 results include HPM from 1 March 2015.

Table 9 – Vertua consolidated statement of financial performance

$000	FY13	FY14	FY15
Revenue	2,076	713	737
Cost of sales	(1,933)	(574)	(640)
Gross profit	**143**	**139**	**97**
Gross profit margin	*6.9%*	*19.5%*	*13.2%*
Other income	3	3	9
Management fees	(102)	(71)	(5)
Directors fees	(22)	-	(42)
Professional fees	(75)	(126)	(217)
Property costs	(119)	(45)	(6)
Advertising and promotion	(3)	-	(18)
Other expenses	(47)	(44)	(90)
Inventory write down	(800)	-	-
EBIT	**(1,022)**	**(144)**	**(272)**
Interest income	4	14	10
Interest expense	(86)	(16)	(17)
Net profit before income tax	**(1,104)**	**(146)**	**(279)**
Income tax (expense)		-	197
Net profit after tax	**(1,104)**	**(146)**	**(82)**

Source: Vertua 30 June 2014 and 31 March 2015 Annual Reports

Due to the nature of its business, Vertua's revenues and profitability fluctuate significantly from year to year.

Historically, Vertua's revenue has primarily been derived through the purchase, renovation and sale of residential properties. In FY15, Vertua renovated and sold a number of residential properties in the Lane Cove Property however, as settlement did not occur until post 31 March 2015, revenue in relation to these sales has been deferred until the year ended 31 March 2016.

FY15 revenues shown above primarily relates to HPM print broking from 1 March 2015 to 31 March 2015. FY15 cost of sales also primarily relates to HPM.

FY15 overhead costs relate to Vertua, HPM and to un-capitalised HPM acquisition costs.

3.7 Share Price Trading Performance

As noted above, Vertua's shares are listed and quoted for trading on the NSX. Based on our analysis we note that Vertua's shares are infrequently traded.

We reviewed the historical market trading in Vertua's shares for the 12 months ended 2 March 2015, being the day prior to Vertua's announcement of the Proposed Transaction to the market ("**Historical Trading Period**"), with regard to the following factors:

— the daily share price;

— the daily volume; and

— the volume weighted average share price ("**VWAP**").

In addition to our review of the historical share price and VWAP history of Vertua's shares, we have also reviewed the liquidity of trading in Vertua's shares during the Historical Trading Period in order to assess whether the level of liquidity is sufficient to support a fair assessment of the market value of Vertua's shares based on its quoted market price.

Our analysis of Vertua's share trading is set out below.

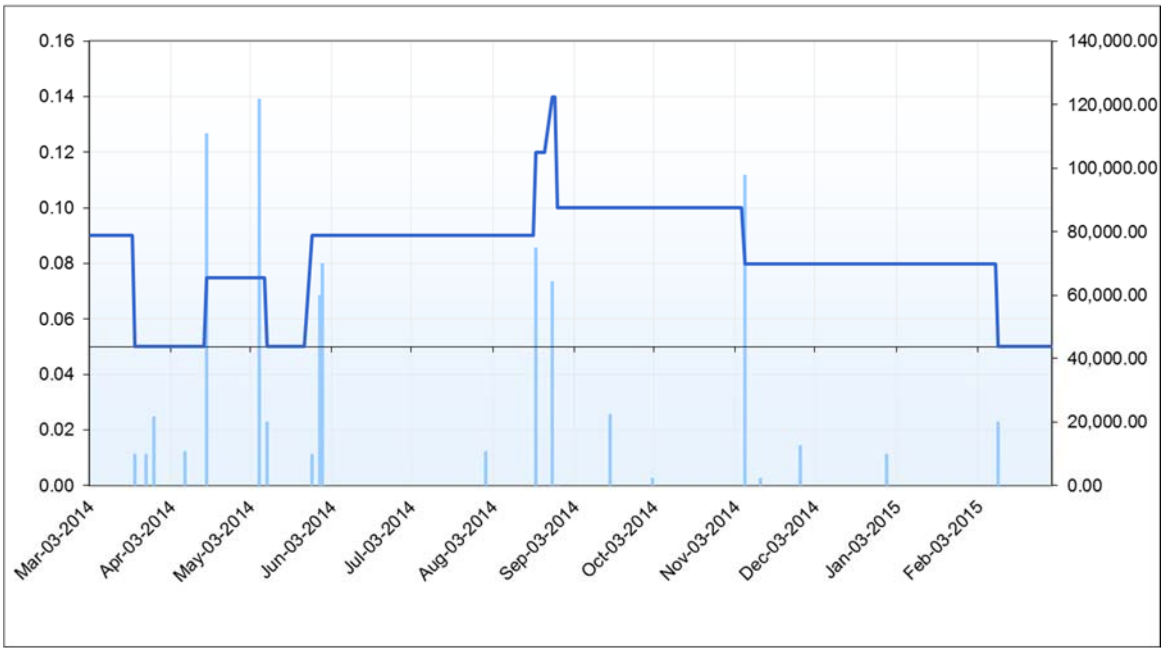
Table 10 – Vertua share trading

	High ($)	Low ($)	VWAP ($)	Average Daily Volume
As at 2 March 2015	$ 0.050	$ 0.050	no trade	no trade
1 month to 2 March 2015	$ 0.050	$ 0.050	$ 0.050	833
6 months to 2 March 2015	$ 0.100	$ 0.050	$ 0.080	1,778
12 months to 2 March 2015	$ 0.140	$ 0.050	$ 0.087	6,750

Source: NSX and William Buck

The figure below sets out the daily share price and trading volume of Vertua shares during the Historical Trading Period.

Figure 1 – Vertua daily volume and share price history



Source: NSX and William Buck

We note the following with respect to trading in Vertua over the Historical Trading Period:

— the last date the shares traded was 10 February 2015;

— the last closing price for the shares in Vertua was $0.05, being the closing price on 10 February 2015;

— Vertua shares exhibit a very low level of liquidity with shares trading on only 21 days of the 253 days included in the Historical Trading Period. The total number of shares traded during the Historical Trading Period comprised approximately 8.77% of total Vertua shares on issue;

- the share price traded at a range from a high of $0.14 per share to a low of $0.05 per share; and
- the VWAP for the Historical Trading Period was $0.0865.

Based on the information above, in our opinion, Vertua's shares appear to be highly illiquid and as such, the level of liquidity is not sufficient to support a fair assessment of the market value of Vertua's shares based on its quoted market price.

4. Profile of HPM

4.1 Background

HPM was incorporated in June 2012, however, its underlying business has been operating since 2011 as part of Horizon Media Pty Limited (formerly Yellow Media Brands Pty Limited).

HPM is a Sydney based print brokerage business which handles printing as an agent or broker for its clients. The Company commenced operations with its sole client being Yellow Media Brands and has since expanded its client base to third parties.

HPM was separated from Yellow Media Brands in September 2013 upon the sale of Yellow Media Brands to a third party.

The Company's clients generally require printing of their marketing collateral such as magazine publications, direct mail, point of sale and signage. Customers generally have ongoing printing requirements, therefore, a large number of HPM's customers have been with the Company for several years. A new Business Development Manager ("**BDM**") was employed in FY14 to drive the generation of new clients. This has resulted in new clients being obtained and an increase in revenues.

The Company uses various suppliers, depending on their capabilities, client requirements and pricing.

HPM is a wholly owned subsidiary of HMF Custodian Pty Limited, with its ultimate holding company being Carrington Forsyth Investments Pty Limited.

4.2 Financial Performance

The unaudited income statements of HPM for the years ended 30 June 2013 and 30 June 2014 and the forecast for the year ending 30 June 2015 are set out below. The 30 June 2015 forecasts include actual trading for the nine months ended 31 March 2015.

Table 11: HPM historical and forecast financial performance

$000	FY13	FY14	FY15F
Revenue	6,056	6,794	7,100
Cost of sales	(5,143)	(6,159)	(6,419)
Gross profit	**913**	**635**	**681**
Gross profit margin	*15.1%*	*9.4%*	*9.6%*
Other income	1	73	18
Employee expenses	(294)	(492)	(364)
Occupancy costs	(44)	(48)	(41)
IT and communication	(25)	(28)	(21)
Insurance	(13)	(17)	(9)
Audit and accounting	(11)	(17)	(41)
Travel	(5)	(11)	(6)
Other expenses	(98)	(54)	(64)
EBITDA	**425**	**42**	**153**
Depreciation	(10)	(0)	(3)
EBIT	**415**	**41**	**150**
Interest income	9	0	0
Interest expense	(14)	-	(2)
Net profit before income tax	**410**	**41**	**148**
Income tax (expense)	(3)	-	-
Net profit after tax	**407**	**41**	**148**
EBITDA margin	*7.0%*	*0.6%*	*2.1%*
Net income margin	*6.7%*	*0.6%*	*2.1%*

Source: Information provided by HPM

4.2.1 Revenue

HPM achieved increases in revenues from FY13 to FY15F driven by the acquisition of new clients. HPM employed a new BDM in FY14 who has extensive print experience and this has contributed to the increase in revenues.

Table 12 – Revenue by client

$000	FY14	% of total	9M15	% of total
Client A	2,309	*34%*	1,458	*26%*
Client B	999	*15%*	817	*15%*
Client C	781	*12%*	400	*7%*
Client D	718	*11%*	823	*15%*
Client E	331	*5%*	141	*3%*
Client F	130	*2%*	40	*1%*
Client G	126	*2%*	0	*0%*
Client H	119	*2%*	39	*1%*
Client I	70	*1%*	16	*0%*
Client J	67	*1%*	33	*1%*
Top 10 clients	**5,650**	***83%***	**3,766**	***67%***
Other clients	1,144	*17%*	1,820	*33%*
Total revenue	**6,794**	***100%***	**5,586**	***100%***

Source: Sales by client information provided by Management

A large portion of HPM's sales are derived from its top 10 clients. However, as can be seen from sales during the nine months ended 31 March 2015 ("**9M15**"), HPM has recently been able to expand its client base and lower its reliance on its larger clients.

4.2.2 Gross Profit Margin

HPM experienced a decline in gross profit margin from 15.1% in FY13 to 9.4% in FY14. A large proportion of this decrease is attributable to the FY14 write-off of sales of $383k to Yellow Media Brands. The write off was agreed between HPM and YMB as part of the sale of Yellow Media Brands. A further $126k of sales to YMB were written off in FY15 as part of the same transaction.

The YMB sales write-offs have been treated as one-off and non-recurring for the purposes of determining a level of maintainable EBITDA for HPM. Please refer to Section 4.2.5 below.

4.2.3 Other Income

Other income refers to management fees paid to YMB. We have normalised HPM's historical results for these management fees as the arrangement was terminated with the sale of YMB.

4.2.4 Employee expenses

Employee expenses increased from $294k in FY13 to $492k in FY14, primarily due to the employment of the new BDM.

HPM's FY15F income statement shows a $128k decrease in employee expenses however, we note that some sales commissions have been treated as direct costs in FY15F. There was no significant change in HPM's overhead cost base between FY14 and FY15F.

4.2.5 Normalised EBITDA

We have made normalisation adjustments to the historical earnings in order to remove the impact of any non-recurring and discretionary income and expenditure items and any non-arm's length transactions.

For the purposes of determining a normalised level of EBITDA, we have focused on FY13 to FY15F, being the three recent full financial years.

Table 13 – Normalised EBITDA

$000	FY13	FY14	FY15F
Reported EBITDA	**425**	**42**	**153**
EBITDA Normalisation adjustments:			
Add back: Writen off sales to YMB	-	383	126
Less: Management fee received from YMB	(1)	(73)	(18)
Add back: Management fee paid to CFL	44	36	45
Less: Sale of shares	-	(3)	-
Add back: Car spaces	7	-	-
Add back: FBT	5	-	-
Normalised EBITDA	**479**	**385**	**305**

Source: William Buck analysis and information provided by Management

The key normalisation adjustments are as follows:

- Write off of YMB sales: Sales to YMB written off per agreement to acquire HPM out of YBM business;
- Management fees paid to YMB: Management fees from YMB will not be received going forward; and
- Management fees paid to CFL: Management fees will not be paid to CFL going forward.

4.3 Financial Position

The financial position of HPM as at 30 June 2014 and 31 March 2015 is set out below.

Table 14: HPM financial position

$000	30 June 2014	31 March 2015
Trade debtors	1,788	1,461
Trade creditors	(1,623)	(1,527)
Other current assets	10	89
Other current liabilities	(109)	(36)
Net working capital	**66**	**(13)**
Property, plant and equipment	14	16
Goodw ill	600	600
Total funds employed	**614**	**616**
Cash and cash equivalents	36	313
Net cash / (borrowings)	**36**	**313**
Related party loans	(575)	(707)
Surplus liabilities	**(575)**	**(707)**
Net assets	**141**	**209**
Statistics:		
Woking capital as % sales	*1.0%*	*(0.2%)*
Debtor days	*96.1*	*75.1*
Creditor days	*96.2*	*86.8*

Source: HPM balance sheet as at 30 June 2014 and 31 March 2015 provided by HPM Management

4.3.1 *Net Working Capital*

Historically, HPM has reported minimal net working capital requirements as its debtors and creditors are of similar value. HPM typically has shorter debtor days than creditor days

HPM generally grants its clients 30 day terms however, some of its larger clients enjoy 60 day terms and often delay payment beyond these terms. HPM debtors as at 31 March 2015 were lower than as at 30 June 2014 due to HPM focusing on collections and the write-off of amounts receivable from YBM.

HPM generally receives 30 day terms from its suppliers, however, payments are often delayed in line with timing of receipts from customers.

4.3.2 *Funds Employed*

Property, plant and equipment includes computer and office equipment.

Goodwill relates to the acquisition of HPM out of Yellow Media Brands.

4.3.3 *Surplus Liabilities*

Surplus liabilities are comprised of loans received from related entities controlled by HPM directors granted to HPM to be used for working capital requirements.

The composition of related party loans is set out below.

Table 15 – Related party loans

$000	30 June 2014	31 March 2015
Carrington Forsyth Investments Ltd	575	-
Vertua Investments Ltd	-	575
Woodville Super Fund	-	132
Total related party loans	**575**	**707**

Source: Information provided by HPM

5. Valuation Methodologies

5.1 Selection of Valuation Methodologies

ASIC Regulatory Guide 111 outlines the appropriate methodologies which an expert should generally consider when valuing assets or securities for the purposes of, amongst other things, takeovers, schemes of arrangement, selective capital reductions, related-party transactions and share buybacks.

These include:

- the discounted cash flow ("**DCF**") methodology and the estimated realisable value of any surplus assets;
- the application of earnings multiples appropriate for the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;

- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price might not reflect their value, should 100% of the securities be available for sale; and
- any recent genuine offers received by the company for any business units or assets as a basis for valuation of those business units or assets.

For the purposes of this Report, fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor acting on an arm's length basis.

Appendix C provides further detail in relation to the various valuation methods that are commonly used to assess the fair value of businesses and shares in companies. The selection of which methods are the most appropriate in any situation rests with the circumstances of the particular case.

Appropriate valuation methodologies in respect of Vertua and HPM are discussed below.

5.2 Valuation Methodology - Vertua

Based on our understanding of Vertua, its operations and its assets, in our opinion the most appropriate method for determining the fair market value of issued shares in Vertua is by reference to the net tangible asset ("**NTA**") method, based on the following reasons:

- Vertua has historically been loss making and so it is not possible or appropriate to apply an earnings based valuation method in valuing Vertua's shares;
- Vertua has not provided us with detailed forecasts and so we cannot apply the DCF valuation method;
- Vertua is currently holding receivables for properties it has developed and sold and a property that it is yet to sell in Lane Cove. We believe that Vertua's value lies in its net assets rather than its trading activities and, therefore, the net asset value is the most appropriate method for valuing Vertua; and
- Given low liquidity of Vertua's shares, reliance on its quoted share price is not appropriate.

Our valuation of the issued shares in Vertua based on the above methodology is set out in Section 6 of this Report.

5.3 Valuation Methodology – HPM

In determining an appropriate valuation methodology for HPM, we have given regard to the following:

- HPM has a track record of positive historical earnings;
- HPM has not provided us with detailed forecasts and so we cannot apply the DCF valuation method; and
- The net assets of HPM do not properly reflect the value of the goodwill inherent in the business, consequently an asset based valuation methodology is not considered appropriate.

We are of the view that the capitalisation of future maintainable earnings ("**FME**") method is the most appropriate valuation methodology to apply in the case of HPM.

5.3.1 Determination of Estimated FME

The estimated FME should reflect the core underlying earnings of a business which can, on average, be sustained in the future, notwithstanding short-term fluctuations in economic conditions. The most common earnings level used is net profit after tax ("**NPAT**"). Other earnings bases that can be used include earnings before interest, tax, depreciation and amortisation ("**EBITDA**") and earnings before interest and tax ("**EBIT**").

An appropriate level of estimated FME is selected having regard to historical and forecast operating results, after adjustments have been made for any non-recurring or non-business items of income and expenditure in addition to any known factors likely to affect the future operating performance of the company. Profits arising from assets which are surplus to the operations of the sustainable business are also eliminated.

5.3.2 Determination of Capitalisation Multiple

A capitalisation multiple is applied to the estimated FME of a business to arrive at its enterprise value. The capitalisation multiple represents the rate of return that a knowledgeable investor would expect to earn from a business. It takes into account the risk of variability in the estimated FME and the expected future growth in the earnings of the business.

Capitalisation multiples are usually determined in one of three ways namely, through analysis of the multiples at which comparable listed companies trade, analysis of multiples observed for transactions undertaken by comparable companies, or through derivation from first principles with reference to the rates of return available on alternative forms of investments.

5.3.3 Derivation of Equity Value

Once the enterprise value has been determined (based on the capitalisation multiple being applied to the estimated FME), adjustments are made to derive the equity value of the company. The types of adjustments which are generally made include:

- Deduction of any interest-bearing debt and inclusion of any interest-bearing deposits;
- Application of premiums and/or discounts to the equity value. The application of such premiums and discounts will depend upon the specific circumstances of the company which is being valued, including whether the company's shares suffer from any marketability restriction when compared to the shares from which the capitalisation multiple was derived and whether a controlling or minority interest is being valued; and
- The addition of surplus assets and/or subtraction of surplus liabilities.

Our derivation of the equity value of HPM at the Valuation Date, through the application of the capitalisation of estimated FME method is explained in Section 7 of this Report.

6. Valuation of Fully Paid Ordinary Shares in Vertua

6.1 Net Tangible Asset Method

In determining the value of the issued shares in Vertua by reference to the NTA method, we have given consideration to the appropriate basis on which the value of assets should be determined, being whether by way of an orderly realisation, liquidation or on a going concern basis.

In our opinion, the appropriate basis on which the value of the assets in Vertua should be determined is the going concern basis.

6.2 Review of Net Assets as at 28 February 2015

Vertua's unaudited consolidated balance sheet as at 28 February 2015, immediately prior to the conditional acquisition of HPM, is set out below.

Table 16: Vertua consolidated financial position as at 28 February 2015

$000	30 June 2013	30 June 2014	28 February 2015
Cash and cash equivalents	525	760	9
Accounts receiveable	3	-	2,210
Inventory and work in progress	574	-	623
Other debtors	-	-	-
Total current assets	**1,102**	**760**	**2,842**
Property, plant and equipment	-	-	-
Deferred tax asset	-	-	-
Intangible assets	-	-	2
Total non-current assets	**-**	**-**	**2**
Trade and other payables	6	9	198
Borrowings	-	-	1,182
Related party loans	-	-	391
Employee benefits provisions	-	-	-
Deferred settlement liability	-	-	-
Deferred income	-	-	-
Total current liabilities	**6**	**9**	**1,771**
Borrowings	200	-	-
Total non-current liabilities	**200**	**-**	**-**
Net assets	**896**	**751**	**1,073**
Contributed equity	4,547	4,547	4,697
Accumulated losses	(3,651)	(3,796)	(3,624)
Total equity	**896**	**751**	**1,073**

Source: William Buck

6.3 Valuation of Vertua – Net Tangible Assets

The calculation of the net assets per share of Vertua as at 28 February 2015 is set out below.

Table 17: Vertua NTA backing per share as at 28 February 2015

	28 February 2015
Net assets as at 28 February 2015	$ 1,073,000
Shares on issue	9,873,275
Net assets per share	**$ 0.109**

Source: William Buck

Vertua's NTA value per share as at 28 February 2015 was $0.109.

6.4 Conclusion

Valuations based on NTA value represent a controlling interest. It is not necessary to add a control premium to a valuation determined using the NTA method.

As discussed in Section 3.7, Vertua's VWAP in the year prior to the conditional acquisition of HPM ranged from $0.05 in the month prior to 3 March 2015 to $0.087 in the 12 months prior to 3 March 2015. As discussed in Section 3.7, trading liquidity in Vertua's shares is insufficient for us to rely on its quoted share price as primary valuation methodology. Vertua's historical VWAP data reflects quoted prices for minority interests in Vertua. In order to compare directly to the valuation of Vertua using the NTA method, a control premium would need to be applied to the historical VWAP data.

In our opinion, the fair value of Vertua's issued shares, on a controlling interest basis as at 28 February 2015 and immediately prior to the acquisition of HPM was $0.109 per share. This valuation broadly appears to reflect Vertua's historical VWAP data with the addition of a control premium.

As noted in Section 3.5.6, as at 31 March 2015 Vertua reported total deferred tax assets not brought to account of $1,681,953. We have not factored prior year tax losses into our valuation of Vertua. The availability of tax losses is subject to criteria outlined by the Australian Taxation Office including 'continuity of ownership', 'same business' tests and the tax consolidation rules for corporate groups and is dependent on sufficient future profitability to utilise those tax losses. Given Vertua's historical financial performance there is significant uncertainty as to whether or not deferred tax assets not brought to account of $1,681,953 will be utilised by the Company.

7. Valuation of Fully Paid Ordinary Shares in HPM

7.1 Valuation Summary

The value of the issued shares of HPM as at 28 February 2015 has been determined as set out below.

Table 18 –Equity Valuation of HPM

	Interest	Marketability	Ref	Low	High	Mid-point
Estimated FME ($000)			7.2	400	400	400
Capitalisation multiple	Controlling	Non-marketable	7.3	2.0	3.0	2.5
Enterprise Value ($000)				**800**	**1,200**	**1,000**
Add: Interest bearing deposits ($000)			4.3	313	313	313
Less: Interest bearing debt ($000)			4.3	(707)	(707)	(707)
Equity value ($000)	**Controlling**	**Non-marketable**		**406**	**806**	**606**

Source: William Buck's assessment

An explanation of each component of the valuation set out in the table above is provided in the sections that follow.

7.2 Estimated FME

We have selected EBITDA as the earnings base for this valuation. The benefits of using EBITDA as an earnings base over alternate earnings bases (such as EBIT or NPAT) are widely recognised as it removes the effect of the different debt structures and depreciation policies employed by the company being valued. It also removes the effect of tax losses and changes in taxation legislation.

In order to determine an appropriate estimated FME for the purpose of the valuation HPM we have reviewed HPM's normalised historical financial performance from FY13 to FY15F.

Based on the normalised EBITDA analysis set out in Section 4.2.5, we have selected an estimated FME of $400,000 to be applied in our valuation, reflecting average normalised EBITDA for FY13 to FY15F.

7.3 Capitalisation Multiple

As noted above, HPM is a Sydney based print brokerage business which handles printing as an agent or broker for its clients.

In selecting a capitalisation multiple to apply in the valuation of HPM we searched for comparable companies listing on ASX and for comparable transactions in similar industries to HPM.

The ASX includes a number of entities operating on a brokerage business model and we found that these relate primairly to mortgage broking and to insurance broking businesses. We have concluded that these companies are not sufficiently comparable to HPM due to the differences in the underlying industries.

For the purposes of our valuation of HPM as at 28 February 2015, we have adopted a capitalisation multiple of 2.0 to 3.0 times EBITDA based on our experience of transactions involving entities of a similar size to HPM.

7.4 Adjustments for net debt

In order to determine the equity value of HPM, we have:

— added interest-bearing deposits held by HPM at the Valuation Date, based on HPM's 31 March 2015 balance sheet, amounting to $312,590 to the derived enterprise value. Interest-bearing deposits comprised cash at bank; and

— subtracted the interest-bearing debt of HPM as at the Valuation Date, based on HPM's 31 March 2015 balance sheet, amounting to $707,067 from the derived enterprise value. Interest-bearing debt comprised $575,000 owing to CFL and $132,067 owing to Woodville Super Fund.

7.5 Equity Value

Based on the adjustments made to the enterprise value, we have assessed that the equity value of HPM falls within the range $406,000 to $806,000 on a controlling interest basis.

8. Qualifications

8.1 Qualifications

William Buck has extensive experience in the provision of corporate finance advice including with respect to mergers and acquisitions.

William Buck is an authorised representative of William Buck Wealth Advisors (NSW) Pty Ltd which holds an Australian Financial Services Licence issued by ASIC for giving expert reports pursuant to the Listing Rules of the ASX and NSX and the Act.

Mr Daniel Coote of William Buck was responsible for the preparation of this Report.

Mr Daniel Coote is a Director of William Buck, is a Chartered Accountant, and holds Bachelor of Commerce and Master of Applied Finance degrees from Macquarie University. Mr Coote has over 14 years' experience in Chartered Accounting and regularly advises clients on corporate transactions and is experienced in the provision of valuations of shares and businesses for a variety of applications. Accordingly, Mr Coote has the appropriate experience and professional qualifications to provide the advice offered.

8.2 Independence and Declarations

William Buck is not aware of any matter or circumstance that would preclude it from preparing this report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

William Buck considers itself to be independent in terms of RG 112: Independence of Experts, issued by ASIC.

Neither William Buck, nor any of its related entities, have acted for Vertua with regard to any matter in the past and we are not aware of any matters or relationship that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

William Buck is entitled to receive a fee for the preparation of this Report of approximately $14,000 plus GST and disbursements. This fee is not contingent on the outcome of the Proposed Transaction. Except for this fee, William Buck has not received and will not receive any pecuniary or other benefit, whether direct or indirect, for or in connection with the preparation of this Report and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

One draft of this Report was provided to the Directors of Vertua for review of factual accuracy, as opposed to opinions, which are the responsibility of William Buck alone. Certain changes were made to the report as a result of the circulation of the draft report. However, no changes were made to the methodology, conclusions or recommendations made to the Non - Associated Shareholders as a result of issuing the draft reports.

The statements contained in this Report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

9. Appendices

9.1 Appendix A – Sources of Information

a) Vertua announcements in relation to the terms of the Proposed Transaction;

b) Draft Notice of Extraordinary General Meeting to be issued in relation to the Proposed Transaction;

c) Share Sale Agreement;

d) Secured Loan Agreement;

e) Share Option Deed;

f) Copy of Vertua share register as at 30 June 2015;

g) Discussions and correspondence with management of Vertua;

h) Discussions and correspondence with management of HPM;

i) Vertua 31 March 2015 audited financial statements;

j) HPM management accounts for the years ended 30 June 2013 and 30 June 2014 and the nine months ended 31 March 2015;

k) HPM forecasts for the three months ending 30 June 2015

l) Vertua ASIC extract obtained on 11 May 2015;

m) HPM ASIC extract obtained on 6 May 2015;

9.2 Appendix B – Abbreviations and Definitions

Term	Definition
9M15	Nine months ended 31 March 2015
Act	Corporations Act 2001
APES	Accounting Professional and Ethical Standard
Acquisition	Vertua's acquisition of all shares on issue in HPM
ASAE	Australian Standards on Assurance Assignments
ASIC	Australian Investments and Securities Commission
ASRE	Australian Standards on Review Assignments
NSX	National Stock Exchange of Australia
AUS	Australian Auditing Standards
BDM	Business Development Manager
CFI	Carrington Forsyth Investments Pty Limited
Company, Vertua	Vertua Limited
Directors	The directors of Vertua
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
Explanatory Statement	The Explanatory Statement included in Vertua's 2015 Notice of Annual General Meeting and Explanatory Statement
FME	Future Maintainable Earnings
FYxx	Financial year ended 30 June 20xx or 31 March 20xx
HPM	Horizon Print Management Pty Limited
Lane Cover Property	446 Pacific Highway, Lane Cove NSW
Manning Group	Manning Group Pty Limited
Manning Group Shareholders	Manning Group and associated parties
NTA	Net Tangible Assets
Non-Associated Shareholders	Those shareholders in Vertua whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction
NPAT	Net Profit After Tax
Option Share(s)	Fully paid A Class shares in Vertua following conversion of Secured Acquisition Loan Funding
Proposed Transaction	The Acquisition for which loan funding will be provided by Manning Group
Report	This report prepared by William Buck dated 16 July 2015
RG	Regulatory Guides issued by ASIC
RG 111	Regulatory Guide 111: Content of Expert Reports
RG 112	Regulatory Guide 112: Independence of Experts
Section 606	Section 606 of the Act
Section 611	Section 611 of the Act
Secured Acquisition Loan	Loan funding provided by Manning Group under the Secured Loan Agreement
Secured Loan Agreement	Secured Loan Agreement between Manning Group and Vertua
Shareholders	The holders of fully paid A Class shares in Vertua
Share Option Deed	Share Option Deed between Manning Group and Vertua
Share Sale Agreement	Share Sale Agreement between CFI, Vertua and HPM
VWAP	Volume Weighted Average Share Price
William Buck , we, us, our	William Buck Corporate Advisory Services (NSW) Pty Ltd ACN 133 845 637

9.3 Appendix C – Valuation Methodologies for Businesses and Shares

Discounted Cash Flow ("DCF") Method

The DCF approach is a technically superior methodology since it allows for fluctuations in future performance to be recognised. This methodology derives the enterprise value of an entity by discounting its expected future cash flows.

In applying the DCF valuation methodology consideration must be given to the following factors:

- The estimated future cash flows of the business for a reasonable period including an assessment of the underlying assumptions;
- An estimate of the terminal value of the business at the end of the forecast period; and
- The assessment of an appropriate discount rate that quantifies the risk inherent in the business and reflects the expected return which investors can obtain from investments having equivalent risks.

Capitalisation of Estimated FME

The capitalisation of estimated FME method is useful as a primary valuation technique where the DCF methodology cannot be used. This method derives the enterprise value of the entity and requires consideration of the following factors:

- Selection of an appropriate level of estimated FME, having regard to historical and forecast operating results and adjusting for non-recurring or non-business items of income and expenditure in addition to any known factors likely to affect the future operating performance of the business;
- Profits arising from assets which are surplus to the operations of the sustainable business are eliminated and the assets, net of any liabilities relating thereto, treated incrementally; and
- Determination of an appropriate capitalisation multiple having regard to the market rating of comparable companies or businesses, the extent and nature of competition in the industry, quality of earnings, future growth opportunities, asset backing and relative investment risk.

Net Asset Backing Approach

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- Separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- Ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- Orderly realisation: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money, assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;

- Liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- Going concern: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net asset backing value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The application of the net asset backing methodology is appropriate where a company:

- Is not trading, or
- Is making sustained losses or profits but at a level less than the required rate of return, or
- Is close to liquidation, or
- Is a holding company, or
- Holds assets which are liquid.

It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Share Market Trading History

The application of the price that a company's shares trade on an organised exchange is an appropriate basis for valuation where:

- The shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares, and
- The market for the company's shares is active and liquid.

In such circumstances, the prices at which shares have traded are regarded as reflective of the elements included in the definition of "fair market value".

Recent Share Subscription Prices

The price at which unrelated parties have recently subscribed for shares in a company can be an appropriate methodology to apply in valuing the issued equity in the company, if those prices were paid in freely negotiated transactions in an open and unrestricted market between knowledgeable, willing, but not anxious, parties acting at arm's length.

In applying this methodology it is relevant to consider the following factors:

- The timing of any shares issues;
- Any pre-existing relationship (if any) between the subscribers to the shares and the company;

- The level of knowledge that the parties subscribing to the shares could reasonably be assumed to possess; and
- The extent of any material changes in circumstances that have occurred between the date on which the shares were issued and the valuation date.

Capitalisation of Estimated Future Maintainable Dividends

The mechanics of the capitalisation of estimated future maintainable dividends valuation method is similar to that of the capitalisation of estimated future maintainable earnings method. The methodology is most commonly applied to minority holdings in private companies and unlisted public companies. It requires the estimation of future maintainable earnings, the likely distribution of such earnings as dividends and the application of an appropriate dividend yield or discount rate.

The capitalisation of estimated future maintainable dividends methodology is generally applicable only where the equity interest subject to valuation has no effective control in the determination of dividend policy.

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